



Investigation Report

## Global Fund Grants in **Liberia**

### **Fraudulent and abusive practices in Global Fund programs**

GF-OIG-22-008  
8 April 2022  
Geneva, Switzerland

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# 1. Executive Summary

## 1.1 Investigation at a glance

There was systemic fraud and misappropriation by staff of the Ministry of Health (MoH), a Principal Recipient for Global Fund grants in Liberia. Our investigation found non-compliant expenditures and/or various types of wrongdoing in 91% of the expenditures reviewed. Non-compliant expenditures totalled US\$1.1 million, of which we recommend recovery of US\$0.99 million.

Staff of the National AIDS Control Program conducted fraudulent procurements of both vehicle repairs and advertising services, for which there is no reasonable assurance of delivery. No assurance could be provided over program delivery in 75% of MoH field activities that we reviewed. The MoH also overcharged the Global Fund for daily subsistence allowances and misused grant funds by providing incorrect allowances and catering expenses. The Global Fund's US\$0.25 million investment into the mother peer program for early infant diagnosis produced a small number of inadequate reports that were not used. Contrary to Grant Regulations, the MoH used grant funds to pay taxes on fuel, and knowingly misrepresented the grants' tax- exempt status to the Global Fund.

MoH controls, policies, and oversight to mitigate fraud and misappropriation were either insufficient or did not exist. Where they existed, they were overridden. The Global Fund has implemented several internal controls to address this issue, and further controls will be implemented as a result of this investigation.

The Global Fund's Fiscal Agent became aware of the wrongdoing identified in this investigation in 2015 but continued to approve MoH expenditures and did not adequately mitigate the risk of fraud. The Fiscal Agent also engaged in conflicts of interest and misappropriation, including accepting grant funds for DSA and fuel coupons for activities that did not take place. A new Fiscal Agent was appointed in 2022.

The Global Fund Secretariat was aware of fraud red flags and other wrongdoing in MoH-managed grants from 2015, but did not report the matters at issue in this investigation to the Office of the Inspector General.

## 1.2 Genesis and Scope

In January 2020, OIG received reports of suspected fraud and other wrongdoing at the National AIDS Control Program (NACP), a Global Fund grant implementer under the Ministry of Health.<sup>1</sup> In response, the Office of the Inspector General (OIG) opened an investigation, undertaking a field mission to Liberia in November 2020. The OIG obtained digital copies of payment vouchers and other records and verified vendors. Due to pandemic-related travel restrictions, the OIG conducted interviews with MoH staff by videoconference. During the investigation, the Global Fund's Liberia Country Team and the MoH reported additional suspicions of fraudulent documents identified by the Fiscal Agent. The scope of the OIG's investigation was expanded to include a review of these documents.

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<sup>1</sup> At the time of the OIG's investigation, the Principal Recipient was known as the Ministry of Health and Social Welfare. It is now known as the Ministry of Health.

The OIG reviewed the expenditures for goods and services for which irregularities were reported, as well as a sample of additional expenditures. 347 MoH payment vouchers totalling US\$2 million fell within the scope of the investigation.

### 1.3 Findings

This investigation identified prohibited practices and inadequate controls, including:

- Procurement fraud totalling US\$0.19 million for vehicle repairs and advertising services
- No assurance of program delivery in 75% of cases reviewed
- US\$0.52 million in grant funds were wasted<sup>2</sup> or misused for the mother peer program and travel- related costs
- MoH concealed improper payments of fuel taxes of at least US\$0.16 million
- The former Fiscal Agent’s oversight was ineffective, and its personnel engaged in conflicts of interest and misappropriation of grant funds

### 1.4 Context

Liberia is classified by the World Bank as a low-income country.<sup>4</sup> In the last decade, civil war and a major Ebola outbreak have caused major loss of life and socio-economic disruption. Since 2004, the Global Fund has signed grants of US\$309 million and disbursed over US\$248 million to the country.

Liberia country data <sup>3</sup>	
Population	5 million
GDP per capita	US\$633 (2020)
Transparency International Corruption Perception Index	136 of 180 (2021)
UNDP Human Development Index	175 of 189 (2020)
Health expenditure (% of GDP)	8.4% (2019)

The Ministry of Health is the Principal Recipient for the HIV/TB and Malaria grants. The HIV/AIDS program is implemented by the National Aids Control Program, and the malaria program by the National Malaria Control Program. A Program Coordination Unit within MoH is responsible for monitoring program implementation, ensuring compliance with Global Fund policies and guidelines, and managing grant funds. Between 1 January 2018 and 30 June 2021, MoH expenditures for the HIV/TB grant totalled US\$25.8 million. Between 1 July 2018 and 30 June 2021, expenditures for the Malaria grant totalled US\$22.0 million.

The Global Fund has invested heavily to strengthen MoH’s financial management capacity:

- In 2014, a Fiscal Agent, Cardno Emerging Markets USA Ltd., was put in place to provide additional fiduciary controls. After OIG’s 2019 [Audit of Global Fund Grants in Liberia](#) found that Fiscal Agent oversight was inadequate, a new Fiscal Agent Team Leader was assigned in 2020.
- In 2017 the MoH issued new policy regulations for transactions under Global Fund grants. The regulations increased the national programs’ transaction spending limit to US\$10,000, with the Fiscal Agent only reviewing national program expenditures after they had been made. In 2019, the MoH assigned Compliance Officers to the national programs to review program expenditures against financial and procurement policies. Expenditures by the national programs were also reviewed by the Program Coordination Unit (PCU).

<sup>2</sup> Waste is an abusive and prohibited practice which the Global Fund defines as the disregard for efficiency and/or value for money

<sup>3</sup> Sources: Population, GDP and health expenditure at ; information on transparency index from Transparency International’ Corruption Perceptions Index at [www.transparency.org/en/countries/liberia](http://www.transparency.org/en/countries/liberia); development data from UNDP’s Human Development Index at <https://hdr.undp.org/sites/default/files/Country-Profiles/LBR.pdf>; all accessed 18 Feb 2022

<sup>4</sup> <https://data.worldbank.org/country/LR>, accessed 18 Feb 2022

The OIG's 2019 audit highlighted significant issues with MoH's contracting, management and oversight of sub- recipients, and rated the level of residual risk for National Program Governance and Grant Oversight as 'high'.

[Previous OIG work](#)

Audit of Grants  
in Liberia  
(October 2019)  
[Link to report](#)

## 1.5 Impact of the investigation

Insufficient controls, policies, and oversight facilitated the fraudulent payments and procurements and hindered the detection of wrongdoing.

Where controls and policies existed, they were overridden. The OIG recommends that the Secretariat recover US\$0.99 million from the MoH.

In March 2021, the OIG determined there was credible and substantive evidence of fraud, abuse, misappropriation, or corruption in grants to Liberia, and informed the Secretariat to allow them to take the necessary steps to prevent further fraudulent activity as the OIG investigation was finalized.

To address the issues identified in this investigation, the Secretariat and MoH have implemented several new internal controls. These include:

- The MoH-instituted threshold which allowed expenditures under US\$10,000 to be delegated to national programs without Fiscal Agent oversight has been eliminated.
- A zero-cash policy was implemented at the MoH, alongside the introduction of mobile payments for all Global Fund activities. MoH must now ensure digital payments to community workers. The Global Fund is also co-leading an initiative with GAVI, WHO and the Gates Foundation to support the MoH to adopt mobile money payments for the entire Ministry.
- A new Fiscal Agent team was introduced on 01 January 2022. The new team will perform spot checks and confirmation of training and supervision activities. The Local Fund Agent will also conduct unannounced spot checks for training activities.
- Travel-related costs will be treated by MoH as staff advances and will require documentation to justify the costs and liquidate the advance.
- All vehicles used for Global Fund-supported activities are equipped with GPS tracking devices, and GPS tracking data will be reviewed to provide assurance of program implementation, and accountability for the use of fuel.

Beyond these measures and in addition to the agreed actions listed in Section 3 of this report, the Secretariat is exploring fundamental, structural changes to the implementation, oversight, and assurance arrangements for Global Fund grants to Liberia.

## 2. Findings

### 2.1 US\$0.52 million in grant funds were wasted or misused for the mother peer program and travel-related costs

#### The Mother-to-Mother Peer Program costs

The mother peer program was a component of the prevention of mother-to-child transmission of HIV module under the HIV/TB grant. According to MoH, it was an essential component for early infant diagnosis, which had been identified as a key program activity in Liberia. The Global Fund invested US\$0.25 million towards incentive payments to mother peers, who were required to provide MoH with reports on mothers they had enrolled into the program, and the infants that had been tested.

Between January 2020 and April 2020, MoH spent US\$27,032 in Daily Subsistence Allowances and fuel to deliver incentive payments to mother peers, or to have them sign contracts. The OIG found that there was no reasonable assurance that these activities took place. Depending on the period, our review highlighted that between 92-100% of the dates allegedly provided by the mother peers for the receipts of their incentive payments fell outside of the dates of travel reported by MoH staff. In 50% of cases, MoH attendance records showed that staff were at headquarters during dates of the alleged travel. Separate travel cost claims for the same activity, to the same counties, were made by both NACP and PCU staff. Vouchers for fuel either did not contain vehicle logs confirming the travel or showed that the fuel coupons were delivered during or after the alleged travel.

MoH incentive distribution lists showed that between 2018 and 2020, 232 mother peers were enrolled. MoH could not however provide the OIG with contracts for all mother peers. We found that some mother peers who did have a contract were not included in the incentive distribution lists, and vice-versa. We compared the signatures of 122 mother peers on identification documents, contracts and DSA distribution lists, and found inconsistencies between signatures in 92% of cases.

Mother peer reports were a contractual condition for the incentive payments. However, NACP could only provide the OIG with a very small number of reports, which were inadequate. They included data inconsistencies, as well as reports from mother peers who were not part of the Global Fund-financed program. Some mother peers listed each other as clients, and the reports showed that only a small number of infants had actually been tested for HIV.

The OIG was unable to determine whether the reports were fraudulent or whether they contained data errors that should have been identified by MoH. MoH could not provide evidence that it reviewed or used any of the reports. NACP's Program Manager misrepresented the authenticity of program documentation, claiming it was used by NACP in 2018 and 2019 despite it only being created in 2021.

#### Other travel-related costs

We reviewed 47 payment vouchers for DSA totalling US\$0.35 million and found that MoH overcharged the Global Fund by approximately 44%, or US\$0.15 million, by applying incorrect US\$ exchange rates which inflated the amounts. Given the number of payments for travel-related costs, the total amount of overcharge was likely even higher.

The Global Fund requires that when meals are provided, the DSA amount should be reduced accordingly. MoH however told OIG that its practice was to provide both catering and full DSA. We reviewed payment vouchers for 12 activities and found that MoH overcharged the Global Fund US\$90,638 by providing meals and full DSA.

## **2.2 Non-compliance with policies, insufficient controls and a lack of oversight has led to no assurance over program delivery in 75% of cases reviewed, totalling \$0.4 million**

The OIG reviewed payment vouchers, supplier invoices, per-diem distribution lists, attendance records, activity reports and vehicle logs for program activities carried out by the National AIDS Control Program (NACP) and the National Malaria Control Program (NMCP), totalling US\$0.54 million. In 75% of expenditures for field activities, the OIG found fraud. In 90% of these expenditures there was no reasonable assurance that the activities took place as reported or even at all. The majority of the remaining 25% of expenditures did not comply with MoH or Global Fund policies and/or there was no reasonable assurance that the program activity took place.

Examples of the prohibited practices and unsupported expenditures include:

### **Roll-out of 2019/2020 National Operational Plan**

In June 2019, a cheque for US\$23,535 was made payable to a Program Coordination Unit (PCU) accountant to cover Daily Subsistence Allowances (DSA), transportation reimbursement, catering, and hall rental for five meetings in five counties to roll out the 2019/2020 National Operational Plan. OIG review of the payment and supporting documents found multiple red flags, including identical phone numbers and taxpayer identification numbers for supplier bidders, and the same names listed in attendance registers for the same day in different areas. All attendance registers contained entries apparently written by the same hand.

### **Quality Control review of Health Facilities**

In October 2020, the Global Fund approved MoH's request for US\$14,650 for three teams to conduct a Diagnostic Quality Assurance and Quality Control review of health facilities. According to GPS trackers installed on the vehicles, one of the three teams travelled for only 6 of the 15 days claimed, and to 2 of the 4 counties they reported visiting. In the counties to which the team did travel, the team did not travel to at least five health facilities which they reported visiting. The second team only travelled for 8 of the 21 days they reported, and did not travel to at least 3 health facilities they reported visiting. A review of the third team's travel revealed its members were eligible for 2.5 days of DSA, as opposed to the 17 days they claimed.

### **Maintenance and training for GeneXpert machines and chemistry analysers**

In March 2020, the NACP spent US\$11,420 for DSA and fuel to conduct maintenance and training for GeneXpert machines and chemistry analysers. The same NACP staff members were recorded as attending different events on the same dates. NACP attendance logs showed that staff members allegedly participating in the activities were actually present at the NACP office. Vehicle logs and activity reports were fabricated: for example, one activity report included photocopied sections of another. NACP acknowledged that the activities did not take place, and MoH financial records stated that the expenditures had been voided and the funds reimbursed. However, MoH bank account records revealed no such reimbursement.

### **Roll-out of 2018/2019 National Operational Plan**

In June 2018, a cheque for US\$14,740 was issued to a PCU accountant for a meeting to "consolidate, validate and print" the 2018/2019 national operational plan. The quotation for event venue and catering and the receipt for payment were both dated for the first day of the meeting. DSA was provided to 45 people, 24 of whom signed attendance registers for less than the number of meeting days. Attendance registers appeared to have been falsified and included 11 people who did not receive DSA. Three people signed the register twice on the same day, and one director was listed on

the attendance register as a driver. There was no budget for fuel, and no vehicle logs supporting travel. There was also no activity report to justify the expenditure.

### **Financial Management System training**

In September 2018, US\$35,320 was paid to a PCU accountant to conduct a refresher, in-person training event on its financial management system. There was no evidence that three quotations were received for catering and hall rental, and venue invoices were identical to the amount budgeted. 34% of DSA recipients did not attend the training for the number of days they received DSA. The attendance registers appeared fabricated, including signatures of individuals who had not received DSA as well as signatures of individuals twice on the same day. Some NACP staff requested and received DSA from NACP for the training, despite also having received DSA from the PCU accountant.

In January 2019, US\$47,800 was paid to a PCU accountant for an additional in-person financial management system training event. The activity report indicated that the activity was held over 10 days, but there were attendance registers for 11 days. 68% of DSA recipients did not attend the training for the number of days they received DSA. Attendance registers included signatures of people who did not receive DSA, and individuals who signed the register twice on the same day. There was no evidence that three quotations were sought or received for the supplier of the training. The budget referenced a 12-day activity, and the amount invoiced by the supplier for 11 days was identical to the amount budgeted. Despite representing to the OIG that all supporting documents had been reviewed, validated and retained, no records could be produced for the OIG to review.

### **US\$75,640 of unsupported expenditures for field activities**

The Global Fund requires justification to support expenditures. For field activities, this justification can include receipts for the distribution of funds, agendas, presentations, meeting minutes and/or activity reports. The OIG reviewed five payment vouchers for field activities, totalling US\$75,640, which did not include any justification for the grant funds spent.

### **US\$92,074 of unsupported fuel expenditures**

According to MoH, the mileage recorded in the vehicle logs provides accountability for the fuel used. The OIG obtained 46 payment vouchers for the procurement of fuel coupons, totalling US\$0.12 million. Of these, 63% did not contain a vehicle log and therefore are deemed ineligible.

## **2.3 Procurement fraud totalling US\$0.19 million for vehicle repairs and advertising services, due to non-compliance with policies, insufficient controls and a lack of oversight**

NACP conducted procurements for vehicle repair and advertising services that contained numerous red flags of fraud, leading the OIG to conclude that the services were ultimately not provided. Our investigation found non-compliant expenditures and/or prohibited practices in 98% of payment vouchers for vehicle repairs and advertising services, representing a value of US\$0.19 million.

### **Vehicle repairs**

Procurements of less than US\$10,000 are undertaken by MoH procurement officers assigned to the national programs, who send Requests for Quotations (RFQs) to obtain at least three quotations. Following a bid evaluation, a supplier is selected and a Purchase Order created.

The MoH pre-qualified two suppliers to be used by the national programs for vehicle repairs. The NACP did not use these suppliers, however, and made 47 payments worth US\$113,233 to Supplier 1 and 14 payments worth US\$25,114 to Supplier 2 in 2018-19.

#### **Supplier 1**

The OIG reviewed 45 of the 47 payments made to Supplier 1 and found multiple red flags of fraud including: similar handwriting on invoices, bid evaluations dated before request for quotations, supplier invoices dated before bid evaluations, and identical dates for request for quotations, evaluation, and purchase orders.

In 44 of 45 cases, the unsuccessful bidders were the same: Bidder 2 and Bidder 3. Bidder 2 is located in the same building as Supplier 1. One person serves as General Manager for both companies, and both have the same owner. Bidder 3's Manager told OIG that they had never done business with the NACP, and the quotations were not genuine.

The procurements for vehicle repairs, which clearly indicate fraudulent and collusive practices, were conducted by NACP's Finance Manager. Despite the Finance Manager signing a "Certificate of Services Rendered" in 36 cases, there is no reasonable assurance that the vehicle repairs actually happened.

#### **Supplier 2**

Of the 14 payments made to Supplier 2, the OIG reviewed 13 of these payments and supporting documents. These transactions also contained multiple suspicious elements, including similar handwriting on bidders' invoices, bidders quoting the same parts in the same order, and identical spelling mistakes for quoted parts for all bidders.

Key documents were also missing. In two cases there was no evidence of a bid evaluation, while two payment vouchers contained neither a Purchase Order nor a Goods Received Note. In two further cases, the dates of the credit invoice and delivery note preceded the bid evaluation and purchase order.

The OIG found no evidence that Supplier 2 actually exists. None of the telephone numbers listed on its invoices were in service, and neighbours could not confirm its existence. Similarly, we could not establish the existence of two competing bidders, Bidder 4 and Bidder 5: the phone numbers listed on their invoices were either not in service or the person answering the phone had no knowledge of them. Similarly, neighbours could not confirm the existence of the garages.

As with Supplier 1, the above evidence indicates fraudulent and collusive practices. The procurements were carried out by NACP's Finance Manager, with no reasonable assurance that any repairs took place. Only nine payment vouchers included a "Certificate of Services Rendered"; six of these were certified by the NACP Accountant and three by NACP's Finance Manager.

## **Advertising services**

### **Supplier 3**

In February 2019, NACP's Program Manager signed a contract with Supplier 3 to develop and produce radio advertising, public relations materials, and events. Four payments totalling US\$23,285 were made to Supplier 3 in 2019. All four payments exhibit evidence of fraudulent practices and/or conflict of interest.

Supplier 3's majority shareholder also served as MoH's Director of Communications. In March 2020, a MoH Internal Audit review found that awarding the contract constituted a conflict of interest, and that no Request for Quotations had taken place. The Global Fund's Fiscal Agent in Liberia similarly reviewed the payments, noting they lacked evidence of a competitive bidding process.

OIG review of the four payments to Supplier 3 found that only two contained quotations from other bidders, which were dated after NACP's contract with Supplier 3 had been signed. None of the quotations reflected the services referenced in the contract.

As with Suppliers 1 and 2, there was no evidence that Supplier 3 physically exists. There was nothing indicating its presence at the address listed on the invoice, and Supplier 3's majority shareholder did not respond to our request for an interview. Equally, there is no evidence that Supplier 3 provided any of the services for which it was paid, such as scripts or audio files of the radio messages developed, or adverts delivered to radio stations, or aired. This lack of evidence of delivery of services was also noted by MoH internal audit.

### **Other advertisement payments**

In addition to the payments to Supplier 3, the OIG reviewed an additional 19 payments made by NACP for advertisements, totalling US\$32,918. For 17/19 payments, totalling US\$26,118, there was no reasonable assurance of delivery, e.g. a copy of the advertisement, or evidence that the advertisement had been sent to the supplier or that the advertisement had been aired. The payments to these suppliers were made before the services could have been delivered. Bid evaluations contained misrepresentations, and procurements were either steered to suppliers or were sole sourced without approval.

## **2.4 MoH concealed improper payments of fuel taxes of at least US\$0.16 million**

Between January 2018 and September 2020, the MoH improperly used grant funds to pay at least US\$0.16 million in fuel taxes. The OIG considers that the amount of fuel taxes paid under the grants during this period is likely higher, because OIG's calculations did not include the taxes on fuel paid by the grants' sub-recipients.

Grant Regulations require each country receiving Global Fund grants to ensure their tax-exempt status as a condition for funding, meaning grant funds contribute directly to the fight against the three diseases. MoH is required to report to the Global Fund annually on grants' tax-exempt status, as well as the total taxes paid, recoverable and unrecoverable during the reporting year. The Fiscal Agent is required to monitor and report on measures taken by the Principal Recipient to ensure that Global Fund Grant Funds are not used to pay taxes and duties, in accordance with the Global Fund Grant Agreement.<sup>5</sup>

Liberia's Ministry of Commerce and Industry sets the retail price of fuel monthly, which includes an import levy and a sales tax from which Global Fund grant funds are exempt. Liberia's Revenue Code also exempts the Government of Liberia and its agencies from taxes. MoH contracts with fuel providers reference fuel taxes and how a tax-free permit is obtained.

In 2018, the Global Fund identified and informed MoH that grant funds were being used to pay fuel taxes. In 2020, the new Fiscal Agent Team Leader also raised the issue of fuel taxes and instructed MoH on the process to obtain a tax-free permit for fuel. By the conclusion of the OIG's investigation in 2021, MoH had not obtained such a permit, and there was insufficient evidence that it tried to do so.

Although MoH was aware that grant funds were being used to pay fuel taxes, it reported to the Global Fund in its Grant Tax Status reports for 2018 and 2019 that "there is NO tax payment on the Global Fund Grant."

In Q3 2021, the Global Fund Secretariat initiated a Working Group on the Treatment of Non-Compliant Tax Expenditures & Recoveries to address differing interpretations of grant regulations and budgeting guidelines related to taxes to improve the overall application of related guidelines and regulations in all Global Fund portfolios.

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<sup>5</sup> The Global Fund Guidelines on Financial Risk Management (November 2017), available at [https://www.theglobalfund.org/media/7540/financial\\_financialriskmanagement\\_guidelines\\_en.pdf](https://www.theglobalfund.org/media/7540/financial_financialriskmanagement_guidelines_en.pdf) (accessed February 2022).

## **2.5 MoH controls, policies and oversight were either insufficient or overridden**

This investigation found that the essential mechanisms traditionally used to provide the Global Fund with assurance over program delivery, such as third-party review, activity reports, vehicle logs, attendance registers and DSA distribution lists, either did not exist or were susceptible to fraud.

The MoH's Program Coordination Unit (PCU) is responsible for ensuring compliance with Global Fund policies and guidelines, as well as receiving, managing, and accounting for grant funds. PCU accountants reviewed supporting documentation for national program expenditures. However, we found no evidence that the accountants identified the non-compliant or fraudulent expenditures found by the OIG. The PCU Accountant for Malaria and the PCU Senior Accountant were responsible for some of the fraud and wrongdoing discovered in this investigation.

In 2019, the MoH assigned Compliance Officers to the national programs to ensure adherence to relevant policies and regulations. A Compliance Officer was supposed to review all expenditures before their approval by the Program Manager. In NACP's case, however, 44% of procurements approved by the NACP Program Manager were not reviewed by the Compliance Officer. The Compliance Officer did not have access to the financial management system and was not aware of expenditures unless they were flagged.

Where the Compliance Officers did review expenditures, they did not identify the unsupported or non-compliant expenditures, or the red flags of fraud detailed in this report. Our investigation concludes that NACP's Compliance Officer also misappropriated Daily Subsistence Allowances (DSA) for their own gain.

MoH was not compliant with several of its own and Global Fund policies. This investigation found prohibited practices and/or no reasonable assurance of program delivery in 91% of expenditures reviewed. Our findings implicate over 200 MoH staff members. This includes staff who were directly responsible for fraud and other wrongdoing in procurements and program activities, as well as staff who benefitted from this wrongdoing by receiving DSA for more days than the permitted number of days, or receiving DSA for activities that did not take place. This indicates that fraud and wrongdoing at the MoH is systemic, and raises concerns with respect to all expenditures incurred by MoH and its national programs (representing US\$47.8 million of grant funding between January 2018 and June 2021). The OIG has requested the Global Fund Secretariat to commission a risk-based sample review of all MoH expenditures from January 2018 to June 2021, to identify the scale and scope of non-compliant expenditures and red flag indicators of fraud and other wrongdoing.

## **2.6 Fiscal Agent oversight was ineffective, and its personnel engaged in conflicts of interest and misappropriation of grant funds**

The Fiscal Agent is an independent agency contracted directly by the Global Fund Secretariat to mitigate financial risks arising from weak financial management capabilities of grant implementers.<sup>6</sup>

In 2014, the Global Fund appointed a Fiscal Agent to mitigate the risk of fraud or misuse of grant funds, minimize ineligible expenditures, and ensure payments were eligible, justified and adequately supported. Between 2014- 2021, \$3,002,189 in fees were paid to the Fiscal Agent to support grant implementers in complying with all financial requirements of the Global Fund, as well as ensuring the appropriate use of grant funds.

The OIG found that the former Fiscal Agent's oversight was inadequate. Although the former Fiscal Agent team was aware of and reported to the Global Fund fraud and wrongdoing identified in this investigation, it continued to approve many related Principal Recipient expenditures, and did not identify any significant red flags on the documentation reviewed by the OIG. There is no evidence that the former Fiscal Agent team reviewed the MoH Annual Grant Status Report for 2018, as they were required to.

Fiscal Agents receive a separate budget for travel expenses, including a fuel allowance, and can submit additional travel expense claims to the Global Fund. However, members of the former Fiscal Agent team accepted grant funds from the MoH for DSA for the two financial management system training activities which did not take place as described. The OIG therefore concludes that the former Fiscal Agent team misappropriated the DSA and fuel coupons provided to them, valued at US\$1,599.

Without a formal recruitment process, the former Fiscal Agent Team Leader hired an individual with close connections to MoH, which represented a conflict of interest. The individual hired also received DSA for the financial management system training (see Finding 2.2) as well as for disbursing incentive payments to mother peers (see Finding 2.1), neither of which took place.

In January 2020, the former Fiscal Agent appointed a new Team Leader to the Liberia portfolio, and additional issues were identified that were included in OIG's investigation (see 1.2, Genesis and Scope). The new Fiscal Agent Team Leader also led the implementation of additional safeguards for Global Fund grants (see 1.5, Impact of the Investigation).

In 2022, a new Fiscal Agent was appointed to the Liberia portfolio.

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<sup>6</sup> The Global Fund Guidelines on Financial Risk Management (November 2017), available at [https://www.theglobalfund.org/media/7540/financial\\_financialriskmanagement\\_guidelines\\_en.pdf](https://www.theglobalfund.org/media/7540/financial_financialriskmanagement_guidelines_en.pdf) (accessed February 2022).

## **2.7 The Global Fund Secretariat did not report fraud and other wrongdoing to the OIG**

The obligation for Global Fund staff to report suspicions of wrongdoing to the OIG is detailed in various Global Fund policies: the Policy to Combat Fraud and Corruption, the Code of Conduct for Global Fund Employees, and the Whistle-blowing Policy and Procedures.

The OIG has observed an increase in reports of suspected wrongdoing at MOH from the Global Fund Secretariat since we initiated this investigation in 2020. However, our investigation found that the Global Fund Secretariat became aware of fraud and other wrongdoing at the MoH, including the matters at issue, in 2015. Although there was evidence of discussion to involve the OIG, these specific issues were not reported to us at the time. The Liberia Country Team relied on the Fiscal Agent to implement mitigation measures for the identified fraud risks, including phone and physical verifications of field activities and vehicle repairs, as well as requiring supporting documentation from MoH staff to justify fuel use and DSA. However, at the time of its investigation the OIG did not find evidence that these mitigation measures were in place. Other fraud and wrongdoing resulted in investigations by the Local Fund Agent and the PR, without the knowledge of the OIG. The response was piecemeal, and the scale and scope of actual and suspected wrongdoing at the MoH was unknown to the OIG until much later.

Had the Secretariat reported the matters brought to its attention by the Fiscal Agent more promptly, the OIG would have launched its investigation earlier, and potentially limited the extent of the fraud. Inadequate awareness of reporting thresholds and responsibilities for addressing and managing identified fraud were cited as impediments to the Liberia Country Team reporting the fraud allegations. The Secretariat has committed to enhancing, clarifying and communicating a robust fraud incident reporting process which complies with existing Global Fund policies and which includes clear accountabilities for reporting.

The investigation also concluded that the Global Fund Secretariat's expectations for Fiscal Agent fraud reporting to the Global Fund have not been defined, documented, or consistently communicated to Fiscal Agents. Finance Specialists require guidance on Fiscal Agent management, including Fiscal Agent reports of prohibited practices.

### 3. Global Fund Response

Action to be taken	Due date	Owner
1. The Global Fund Secretariat will finalize and pursue, from all entities responsible, an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.	31 October 2022	Chair, Recoveries Committee
2. Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipient and Cardno Emerging Markets USA Ltd. take appropriate action towards the individuals responsible for the prohibited practices described in this report.	31 October 2022	Head, Grant Management Division
3. The Secretariat shall perform a cross-functional fraud risk assessment for Liberia which is consistent with the Global Fund's Policy to Combat Fraud and Corruption (PCFC) and devise a solution that balances fiduciary risk with delivery of programmatic objectives. In the interim, the Secretariat shall update the risk and assurance plan to take into account the prohibited practices and non-compliant expenditures identified in this investigation, including ensuring that relevant Global Fund and PR policies are updated as required.	31 December 2022	Head, Grant Management Division
4. The Secretariat will: <ol style="list-style-type: none"> <li>Conduct a review of Liberia Principal Recipients' compliance to their obligations under the Global Fund Grant Regulations and Budgeting Guidelines for the NFM 2 grant implementation period in relation to their tax exemption status</li> <li>Assess that the Liberia Principal Recipients have measures in place to ensure compliance with the relevant Global Fund guidelines and regulations on taxes in NFM 3.</li> </ol>	31 December 2022	Chief Financial Officer
5. In consultation with the OIG, the Secretariat shall enhance its exception management process to roll-out a robust incident reporting process for fraud, prohibited practices and other wrongdoings identified as a part of its risk management and grant implementation monitoring processes. This mechanism shall establish a clear overview of roles and responsibilities amongst the key stakeholders from the Secretariat and key assurance providers like the LFA, Fiscal Agent and Fiduciary Agents and External Auditors.	31 December 2022	Chief Financial Officer
6. The Secretariat shall commission a risk-based sample review of MoH expenditures for both the HIV/TB and Malaria grants for NFM2, to identify the scale and scope of further non-compliant expenditures and red flag indicators of fraud and other wrongdoing. The Secretariat shall recover the amount of non-compliant expenditures identified by the reviewing party in accordance with applicable legal rights and obligations and associated determination of recoverability.	31 December 2022	Chief Financial Officer

## **Annex A: Summary of subject responses**

On 10 November 2021, the OIG provided MoH and the Fiscal Agent with a copy of the Letter of Findings, which represented the full record of relevant facts and findings as they related to them. The two organizations were afforded an opportunity to provide comments and supporting documents on the findings and conclusions. The Fiscal Agent provided its response on 3 December 2021, while the MoH provided its response on 5 December 2021. Below is a summary of the main responses. All points made in the responses were duly considered by the OIG and appropriate revisions were made to the findings as part of this final report.

### **Response from the MoH**

Based on OIG's findings, the MoH has convened an Investigation Committee headed by the Office of General Counsel. The MoH had previously removed NACP's Finance Manager from his position, and OIG's report will be used by the Committee as a basis for its investigation to assist the MoH in its decisions against persons found liable or culpable for the fraud and misappropriation identified in this report. The Investigation Committee's findings in relation to MoH could result in suspension, restitution, dismissal, or possible criminal prosecution. However, the Committee's findings will not impact OIG's investigation findings, or the subsequent actions taken by the Global Fund as a consequence of OIG's investigation findings.

### **Response from the Fiscal Agent**

Cardno disagreed with OIG's conclusions regarding conflict of interest on the part of the former Fiscal Agent team. Cardno was not aware that the former Fiscal Agent's in-country team members received DSA and fuel from the PR but noted that the former Fiscal Agent's budget had not anticipated the level of travel required for the Fiscal Agent's attendance at MoH field activities. Cardno noted that even if reimbursed by the Global Fund, the reimbursement would have come from the grant budget. Cardno responded that the financial management system training events in which Fiscal Agent staff participated took place but relied on the MoH to provide related evidence. OIG concluded that these activities did not take place as described.

Cardno agreed that it was poor judgement to have the Fiscal Agent intern participate in the distribution of mother-peer incentive payments, which OIG concluded did not take place as described. However, Cardno disagreed that the hiring of the intern constituted a conflict of interest.

Fiscal Agents are bound by the Global Fund's Policy on Conflict of Interest. The Fiscal Agent's acceptance of funds from the Principal Recipient, and the hiring of an intern with close connections with the MoH constituted a conflict of interest as defined by Global Fund's policy.

# Annex B: Methodology

## Why we investigate:

Wrongdoing, in all its forms, is a threat to the Global Fund's mission to end the AIDS, tuberculosis and malaria epidemics. It corrodes public health systems and facilitates human rights abuses, ultimately stunting the quality and quantity of interventions needed to save lives. It diverts funds, medicines and other resources away from countries and communities in need. It limits the Global Fund's impact and reduces the trust that is essential to the Global Fund's multi-stakeholder partnership model.

## What we investigate:

The OIG is mandated to investigate any use of Global Fund funds, whether by the Global Fund Secretariat, grant recipients, or their suppliers. OIG investigations identify instances of wrongdoing, such as fraud, corruption and other types of non-compliance with grant agreements. The Global Fund Policy to Combat Fraud and Corruption<sup>7</sup> outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

1. identify the nature and extent of wrongdoing affecting Global Fund grants;
2. identify the entities responsible for such wrongdoing;
3. determine the amount of grant funds that may have been compromised by wrongdoing;
4. place the Global Fund in the best position to recover funds, and take remedial and preventive action, by identifying where and how the misused funds have been spent.

The OIG conducts administrative, not criminal, investigations. It is recipients' responsibility to demonstrate that their use of grant funds complies with grant agreements. OIG findings are based on facts and related analysis, which may include drawing reasonable inferences. Findings are established by a preponderance of evidence. All available information, inculpatory or exculpatory, is considered by the OIG.<sup>8</sup> As an administrative body, the OIG has no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the access rights it has under the contracts the Global Fund enters into with its recipients, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including those disbursed to Sub-recipients and paid to suppliers. The Global Fund's Code of Conduct for Suppliers<sup>9</sup> and Code of Conduct for Recipients provide additional principles, which recipients and

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<sup>7</sup> (16.11.2017) Available at [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>8</sup> These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: [http://www.conf-int-investigators.org/?page\\_id=13](http://www.conf-int-investigators.org/?page_id=13), accessed 1.12.2017.

<sup>9</sup> Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at: [https://www.theglobalfund.org/media/3275/corporate\\_codeofconductforsuppliers\\_policy\\_en.pdf](https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf), and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at: [https://www.theglobalfund.org/media/6011/corporate\\_codeofconductforrecipients\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf). Note: Grants are typically subject to either the Global Fund's Standard Terms and Conditions of the Program Grant Agreement, or to the Grant Regulations (2014), which incorporate the Code of Conduct for Recipients and mandate use of the Code of Conduct for Suppliers. Terms may vary however in certain grant agreements.

suppliers must respect. The Global Fund Guidelines for Grant Budgeting define compliant expenditures as those that have been incurred in compliance with the terms of the relevant grant agreement (or have otherwise been pre-approved in writing by the Global Fund) and have been validated by the Global Fund Secretariat and/or its assurance providers based on documentary evidence.

### **Who we investigate:**

The OIG investigates Principal Recipients and sub-recipients, Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers. Secretariat activities linked to the use of funds are also within the scope of the OIG's work. While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations encompass their activities regarding the provision of goods and services. To fulfill its mandate, the OIG needs the full cooperation of these suppliers to access documents and officials.

### **Sanctions when prohibited practices are identified:**

When an investigation identifies prohibited practices, the Global Fund has the right to seek the refund of grant funds compromised by the related contractual breach. The OIG has a fact-finding role and does not determine how the Global Fund will enforce its rights. Nor does it make judicial decisions or issue sanctions. The Secretariat determines what management actions to take or contractual remedies to seek in response to the investigation findings.

However, the investigation will quantify the extent of any non-compliant expenditures, including amounts the OIG proposes as recoverable. This proposed figure is based on:

1. amounts paid for which there is no reasonable assurance that goods or services were delivered (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
2. amounts paid over and above comparable market prices for such goods or services;
3. or amounts incurred outside of the scope of the grant, for goods or services not included in the approved work plans and budgets or for expenditures in excess of approved budgets.

### **How the Global Fund prevents recurrence of wrongdoing:**

Following an investigation, the OIG and the Secretariat agree on management actions that will mitigate the risks that prohibited practices pose to the Global Fund and its recipients' activities. The OIG may make referrals to national authorities for criminal prosecutions or other violations of national laws and support such authorities as necessary throughout the process, as appropriate.